Government of Saskatchewan

# Annual Report 1983-84

# Saskatchewan Public Utilities Review Commission

85-1395/

# Annual Report
# 1983-84

# Saskatchewan
# Public Utilities
# Review Commission

# Table of Contents


Letters of Transmittal ____ iv

Introduction ____ 1
- Members
- Staff
- Location

Public Utility Regulation ____ 1

Jurisdiction ____ 2
- Legislative Changes

Procedure ____ 3

Public Notice ____ 3

Hearings ____ 3

Intervenors ____ 4

Expenditures ____ 5

Intervenor Costs ____ 5

Applications ____ 6

Orders of the Commission ____ 7

Applications Outstanding ____ 12

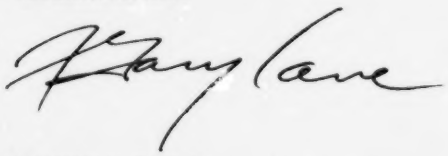
Auditor's Report and Financial Statements ____ 13

# Letters of Transmittal

To His Honour
The Honourable F. W. Johnson
Lieutenant Governor
of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Public Utilities Review Commission for the year ending March 31, 1984, including the financial statements therefore duly certified by the Provincial Auditor and in a form approved by the Treasury Board, all in accordance with the Saskatchewan Public Utilities Review Commission Act. I have the honour to be, Sir, your obedient servant.



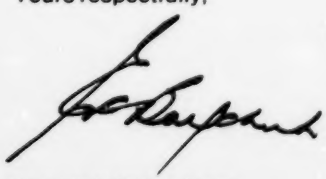
Minister-in-Charge
Saskatchewan Public Utilities Review Commission

The Honourable Gary Lane
Minister of Justice
Legislative Building
Regina, Saskatchewan

Dear Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Public Utilities Review Commission for the 1983/1984 operating year.

Yours respectfully,



Associate Chief Judge,
E. C. Boychuk, Chairman.

# Introduction

The purpose of this report is to comply with Section 41(1) of **The Public Utilities Review Commission Act** (the **Act**). This requires the Commission to transmit to the Minister of Justice a Report as to the administration of the **Act** and to set out briefly all applications made to the Commission and to summarize the Commission's findings and determinations.

This report covers the period April 1, 1983 to March 31, 1984.

### The Members

The **Act** provides for not more than seven Commissioners to be appointed during pleasure for a period of not more than five years. Each Commissioner is eligible for reappointment. At year-end the Commission consisted of the following members:

E. C. Boychuk — Chairman — Saskatoon
June L. Blau — Vice-Chairman — Regina
Roy Billinton — Member — Saskatoon
Douglas E. Cuddington — Member — Regina
Bernard H. Kirwan — Member — Gull Lake
Emily Poncelet — Member — Whitewood
Marion Sherman — Member — Prince Albert

### The Staff

The permanent staff of the Commission consists of the Chairman, the Commission Secretary, an Administrative Officer, and a Clerk Steno. In addition, the Commission employed a student during the summer of 1983 and part-time help as needed.

### Location

The Commission office is located at:

Sturdy-Stone Centre,
122 Third Avenue North,
Saskatoon, Saskatchewan.
S7K 2H6

# Public Utility Regulation

The Commission is responsible for the regulation of rates charged by Saskatchewan Power Corporation (SPC) and its subsidiary North-Sask Electric Ltd., and certain rates of Saskatchewan Telecommunications (Sask Tel) and Saskatchewan Government Insurance (SGI). Rate is broadly defined in s. 2(j) of the **Act**,

> s. 2(j) "rate" means:
>
> (i) a general, individual or joint rate, fare, toll, charge, rental or other compensation of a corporation;
>
> (ii) a rule, regulation, practice, measurement, classification or contract of a corporation relating to a rate; or
>
> (iii) a schedule or tariff respecting a rate;
>
> and, except in subsection 6(2), includes a premium established by Saskatchewan Government Insurance with respect to the matters described in clause 3(1)(c);

The services of the corporations for which rates are regulated are as follows:

Saskatchewan Power Corporation — the sale of electrical energy or gas within Saskatchewan.

Saskatchewan Telecommunications — the rates charged within Saskatchewan for non-competitive telephone services.

Saskatchewan Government Insurance — as insurer under **The Automobile Accident Insurance Act** (AAIA) with respect to basic premiums for:

(i) motor vehicles, trailers and semi-trailers; and
(ii) drivers.

Since the regulated services are provided by the corporations on a monopoly basis, the Commission considers that its role is to provide, as far as possible, a substitute for the absence of market forces. In this way the regulated monopolies will operate more efficiently. The benefits will accrue to consumers with respect to price, allocation of resources and acceptable levels of service.

When a corporation applies for an amendment to its rates it must satisfy the Commission that the proposed new rates are reasonable and justified in the circumstances. As a quasi-judicial body, the Commission has a dual role in considering a rate application. In its capacity as a judge, the Commission hears and weighs evidence submitted by the applicant corporations and other interested parties. In its capacity as a public interest advocate, the Commission actively seeks out this evidence and through its own counsel cross-examines the applicant corporation on its evidence. It is through this process that the Commission seeks to exert the same type of pressure on the corporations as would exist if they were operating in a competitive environment.

At the same time, all of the corporations presently within the Commission's jurisdiction are Crown-owned. This position is reflected in a number of provisions in the **Act** capable of modifying the Commission's role as a substitute for the absence of market forces.

Section 24 of the **Act** provides a mechanism whereby the Lieutenant-Governor-in-Council may give direction to the Commission by way of an Order-in-Council.

> s. 24(2) The commission shall comply with any general or special direction of the Lieutenant Governor in Council with respect to the exercise of its powers and duties.
>
> (3) Any direction given pursuant to subsection (2) is to be given in the form of an Order in Council, published in the Gazette and, where the direction was relevant to the commission in arriving at its decision, shall be referred to in any written reasons for decision provided by the commission pursuant to section 32.

Section 3(2) provides that the Lieutenant-Governor-in-Council "may by regulation exempt a corporation from compliance with any provisions of (the) Act with respect to a rate or class of rates." Section 12(2) provides that the minister to whom the administration of the **Act** is assigned may request the Commission to "rehear an application or reconsider any decision or order made by it." No Orders-in-Council, regulations or requests have been made under sections 24(2), 3(2) or 12(2).

With respect to the SPC and Sask Tel rate structures, the **Act** differs significantly from other rate regulation statutes in Canada in that it contains a provision which may allow discrimination in rates. Section 6(2)(c) states that in determining whether proposed new rates are reasonable and justified the Commission "shall have regard to":

> "any policies with respect to the design or structure of (a corporation's) rates, including policies which may give preference to certain persons, groups or classifications that, in the opinion of the commission, are related to the responsible performance of the corporation's powers and duties . . .".

The Commission received evidence from Sask Tel regarding its policy of determining rates based on the "value of service" concept rather than the "cost of service" concept. At present the Commission has accepted the "value of service" concept in establishing Sask Tel rates.

At March 31, 1984 the Commission was considering SPC's rate structure. Prior to the March public hearings SPC presented evidence indicating that its objective in rate setting is to ultimately set rates which reflect the cost of service to customers.

With respect to SGI, the **AAIA** premium classifications are established by the Lieutenant-Governor-in-Council under s. 5(1) of the **AAIA**. Section 6(3)(c) of the **Act** instructs the Commission to have regard to:

> "policies with respect to the design or structure of such premiums for achieving an equitable distribution of the cost of administering **The Automobile Accident Insurance Act**; . . ."

The Commission accepted SGI's risk-based rating system as a reasonable method of achieving an equitable distribution of the cost of administering the **AAIA**.

# Jurisdiction

The Commission may hear and determine all questions of law and fact. The decisions of the Commission may be appealed with leave to the Saskatchewan Court of Appeal on a question of law or jurisdiction within thirty days of a final order. In addition, the Commission may state a case in writing for the opinion of the Court of Appeal on a question of law or jurisdiction.

The Commission stated one such case to the Court of Appeal on April 11, 1983. The Court was asked whether the deductible established under the **AAIA** is a "rate" as defined in **The Public Utilities Review Commission Act** and as such, subject to the Commission's jurisdiction. The question was answered in the negative. It was further held that the Commission could vary the premiums under the provisions of s. 12 of the **Act** to compensate for any change in the deductible.

### Legislative Changes

There was one legislative change in 1983 which will affect the operations of the Commission. On December 12, 1983 the Government of Saskatchewan enacted amendments to **The Automobile Accident Insurance Act** which came into force January 1, 1984. These amendments established the Saskatchewan Auto Fund and directed SGI to use the fund solely in its capacity as the designated insurer under the **AAIA**. In addition, the amendments require SGI to keep and maintain accounts for the fund that are separate and distinct from its other accounts.

# Procedure

Under the provisions of s. 28(2) of the **Act** the Commission may adopt rules respecting practice and procedure. The Commission has decided not to adopt formal rules of procedure choosing instead to publish guidelines which will enable the Commission to keep the process flexible and accessible to the public.

The guidelines have been published by the Commission in three parts under the title "Information for Intervenors". The first part entitled "Application Review Guidelines" sets out the general sequence of events from the time an application is filed with the Commission, through to the issuance of a final order. In addition, this part sets out the points that should be addressed in an intervenor submission and by the corporation in a rate application.

The second part entitled "The Hearing Process" contains an explanation of the Interim Increase Hearing and Phase I and Phase II of the Main Hearing. Briefly, at an Interim Increase Hearing the applicant corporation must satisfy the Commission that the corporation cannot maintain its financial integrity on a sound basis until a final determination of the application is made. At the Phase I Hearing the Commission considers the revenue requirements of the corporation for the year which is the subject of the application. At the Phase II Hearing the Commission considers the rate structure proposed by the corporation to generate the required revenue established in Phase I. In addition, this part addresses the provisions of the Act as they relate to different phases of the hearing process.

The third part is entitled "Procedure at Commission Hearings" and traces the various stages of a hearing.

These publications are available to the public on request.

# Public Notice

Section 5(4) of the **Act** states that the Commission "shall give public notice of the application in the manner prescribed in the regulations . . .". No regulations have been passed to date. The Commission has adopted the practice of giving notice of general rate increase applications and the date of the pre-hearing conference by placing advertisements in Saskatchewan's daily and weekly newspapers and the Saskatchewan Gazette.

# Hearings

The Commission conducted three rate review proceedings during fiscal 1983 for a total of 34 hearing days broken down as follows:

| | |
|---|---|
| SPC | 24 hearing days |
| Sask Tel | 6 hearing days |
| SGI | 4 hearing days |

Section 3(4) of the **Act** states that the Commission may, in its discretion, hold public hearings with respect to an application. Section 30(2) of the **Act** states "Except as otherwise authorized by this Act or the regulations, the hearings of the Commission are to be open to the public".

Section 25 of the **Act** states:

The commission may:

(a) hear and determine all questions of law or of fact;

(b) hold proceedings, including hearings, in camera if it considers it necessary to do so:
   (i) in the public interest; or
   (ii) in the event that disclosures to be made at the proceeding may harm the financial interests of a corporation or any other person if revealed in public;

(c) make any orders that it considers necessary to protect the confidentiality of information disclosed at proceedings held in camera or otherwise obtained by the commission.

The Commission would prefer that all information supplied by the applicant corporation be made public. However, the Commission has found it necessary to receive some information on a confidential basis. Where objection has been raised to requests for confidentiality, the Commission has heard argument and assisted in facilitating a compromise solution so that enough information was made available to allow effective public participation.

The Commission conducted one **in camera** proceeding in fiscal 1983 during consideration of Phase II of the SGI application for an increase in basic vehicle premiums. The proceeding was held **in camera** to allow the Commission to hear evidence from and cross-examine SGI witnesses regarding the risk-based rating system. Since the development of this system of establishing vehicle premiums represented a substantial investment on the part of the corporation and was also used to determine rates charged for SGI automobile extension coverage, the Commission considered that public disclosure could harm SGI's competitive position in the automobile extension coverage market. No objections to this decision were raised.

# Intervenors

The Commission had the benefit of a significant number of interventions during consideration of the 1983 general rate increase applications. Thirty-five intervenors registered for the SPC hearings, eleven for the Sask Tel hearings and seven for the SGI hearings. Some intervenors registered for more than one rate application.

Intervenors are simply interested parties who upon registration receive copies of the application and all written questions and answers. Intervenors may submit written questions to the applicant corporation and these questions and answers are distributed to all other intervenors. In addition, intervenors may give evidence, call expert witnesses and cross-examine the applicant corporations' witnesses at hearings. The applicant corporations and the intervenors are also given the opportunity to cross-examine any intervenor's witnesses.

Not all intervenors took an active part in the review process but registered only to receive the available information.

The Commission is pleased with the number and quality of the interventions it has received and has made every effort to encourage and assist intervenors. The Commission believes that active interventions are essential in the performance of its regulatory function. Through these interventions the Commission is able to receive information which might not otherwise be available regarding the impact of proposed rate changes on specific customer classes.

In addition to submissions by intervenors, the Commission received submissions from members of the general public and filed these submissions in evidence at the hearings when requested. The Commission continues to encourage submissions from the general public.

# Expenditures

The sums required for the purposes of the Commission are provided from money appropriated by the Legislature. The Commission's general operating expenses for the fiscal year 1983/84 were $234,743.

Direct hearing costs are recovered from the regulated corporations and are recovered by the corporations through the rates. This practice is consistent with the role of a regulatory commission responsible for regulating monopolies and is consistent with the practice of the other Public Utility Boards and Commissions.

The direct hearing costs for the three corporations within the Commission's jurisdiction during the 1983/84 fiscal year were as follows:

| | |
|---|---|
| Saskatchewan Power Corporation | $346,199 |
| Saskatchewan Telecommunications | 93,339 |
| Saskatchewan Government Insurance | 79,253 |
| **Total** | $518,791 |

Direct hearing costs include the following:

- Commissioners's per diems and expenses
- Staff travel and sustenance
- Consultants' fees and expenses
- Legal Counsel fees and expenses
- Intervenor Costs
- Rent of Grounds/Buildings and expenses
- Publication of Notices
- Court Reporting services

# Intervenor Costs

The Commission's jurisdiction with respect to costs is found in section 31 of the **Act**.

> 31. The costs incidental to a proceeding before the commission are in the discretion of the commission.

This section gives the Commission the authority to award costs to intervenors. The corporations may recover such costs in the rates charged to their customers.

The Commission received one request for costs on April 8, 1983 from the Consumers' Association of Canada (Saskatchewan Branch) (CAC). The CAC asked for an award of $4,500 to enable it to hire students during the summer of 1983 to research the applications of the corporations.

The Commission approved this request at its meeting of April 15, 1983 and instructed the CAC to provide an accounting of its expenditures. These expenditures were monitored by the Commission and billed to the applicant corporations monthly based on the accounting provided by the CAC. The discretion to award costs granted by section 31 places a duty on the Commission to consider each request for costs on its merits. The Commission recognizes that the award of costs in advance is unusual. Since the regulation of utilities is new to Saskatchewan the Commission felt that such an award was justified but should not be regarded as a precedent on either the award of costs to intervenors or the timing of such awards.

# Applications

Applications for general rate increases were received as follows:

## Saskatchewan Telecommunications

**February 28, 1983 Application 83-01**

Sask Tel requested a 19% increase in residential and business exchange services. The Corporation also proposed that service connection charges be restructured and increased by 35% and that pay telephone charges be increased from 10¢ to 25¢. All new rates were proposed to be effective April 1, 1983.

In the alternative Sask Tel requested that the new rates be allowed on an interim basis effective April 1, 1983 if the Commission could not make a final order by that date.

Sask Tel also requested a 6% increase in Trans/Canada and Canada/USA message toll services on May 1, 1983 and an additional 5% for these toll services in October 1983.

## Saskatchewan Government Insurance

**March 11, 1983**

SGI requested an average 6.7% increase in basic premiums for vehicles under **The Automobile Accident Insurance Act** effective July 1, 1983. In addition, SGI requested an interim order granting the total increase by April 20, 1983 so that the revised premiums could be implemented with renewals on and after July 1, 1983.

## Saskatchewan Power Corporation

**April 21, 1983**

SPC requested an average increase of 21.4% in electric rates and an average 23.7% increase in natural gas rates effective May 1, 1983. On April 25, 1983 SPC applied to the Commission for an interim order approving not less than 75% of the full increase requested in the application of April 21, 1983 effective as soon as possible.

In addition, the Commission received a number of applications for minor amendments to the rates schedules as follows:

## Saskatchewan Telecommunications

**March 21, 1983 Application 83-02***

Certain amendments to clarify and/or correct errors in the rates schedule, include a number of service reclassifications in the rates schedule and update Government of Saskatchewan Regulations applicable to Sask Tel.

**June 2, 1983 Application 83-03***

New services and equipment and rates for those new categories of services as well as rate increases for electronic private automatic branch exchange (EPABX) services.

**June 28, 1983 Application 83-04***

Six general categories of minor amendments:

(a) Rearrangement of Tariff pages to accommodate new offerings.

(b) Changes to Universal Service Order Codes (USOC).

(c) Destandardization of certain minor equipment.

(d) Minor clarifications of wording.

(e) One Extended Area Service rate reclassification.

(f) One new product offering of a small EPABX.

**August 25, 1983 Application 83–05**

Provision of an additional option to General Mobile Radio subscribers regarding interprovincial calls.

**November 10, 1983 Application 83–06**

Extension of message toll discounts to provide Sunday discount rates to the following Monday in any year where December 25 and January 1 fall on a Sunday.

**November 10, 1983 Application 83–07**

Increase in overtime custom work rates and change in the minimum overtime period from four hours to two hours with certain exceptions.

**November 10, 1983 Application 83–08**

Extension of toll-free "800" service between Canada and the contiguous United States.

**November 10, 1983 Application 83–09**

Increase in rates for optional listings in the White Pages of telephone directories.

**March 14, 1983 Application 83–10**

Addition of certain rates inadvertantly omitted from the initial rates schedule and correction of certain errors in the initial rates schedule.

---

* These applications were accepted by the Commission as amendments to Application 83-01.

**December 1, 1983 Application 83–11**

Introduction on a two-year trial basis of a maximum rate per minute on customer dialed long distance calls, placed during the 35% discount period, to the territories of other members of Telecom Canada.

**December 9, 1983 Application 83–12**

Introduction of a "Super Bold" listing in Directory White Pages.

**December 28, 1983 Application 83–13**

Certain amendments to clarify the rates schedule and transfer the "Phone Patrol" service to the unregulated tariff.

**January 10, 1984 Application 84–01**

Re-submission of application 83-13 which was withdrawn for correction January 6, 1984.

**February 23, 1984 Application 84–02**

Removal of certain obsolete private branch exchange (PBX) and private automatic branch exchange (PABX) equipment from the rates schedule.

**February 28, 1984 Application 84–03**

Request for approval of new rates for enhancement of SX-200 EPABX service.

**February 29, 1984 Application 84–04**

Request for approval of rates for a new "Remote Call Forwarding" service.

**February 29, 1984 Application 84–05**

Request to remove certain EPABX services from the rates schedule.

**March 29, 1984 Application 84–06**

Introduction of customer-dialed rates for long distance calls between Saskatchewan and Mexico.

### Saskatchewan Government Insurance

The Commission received three minor amendment applications from SGI dated February 2, 1984, February 27, 1984 and March 26, 1984. These applications seek approval of premiums for vehicles which were not previously registered in Saskatchewan and new makes and models of vehicles. Under the provisions of s. 4(3) of the **Act**, SGI may enforce and collect these new premiums subject to any future order of the Commission. At year-end the Commission was considering these applications.

### Saskatchewan Power Corporation

No applications for minor amendments (independent of the main rate application) were received from SPC During 1983/84.

## Orders of the Commission

### Saskatchewan Telecommunications

**Order ST 1-83 – April 5, 1983**

The Commission held a public hearing March 28 and 29, 1983 to consider Sask Tel's application for an interim rate increase. At the hearing the Chairman noted that at an interim rate increase hearing, the applicant corporation "must present a **prima facie** case to show that they cannot continue to maintain financial integrity on a sound basis until a final determination . . ." of the application is made.

The Commission heard evidence from Sask Tel indicating that the corporation estimated a 1983 utility revenue shortfall of $32 million with the current rates in effect. The Consumers' Association opposed any interim rate increases on the basis that the corporation had not established a need for immediate rate relief.

The Commission determined that some interim relief was necessary to enable the corporation to maintain its financial integrity. The order granted Sask Tel approximately half of the requested increase (approximately 9.5%) on an interim basis pending the final disposition of the application.

**Order ST 2-83 – April 25, 1983**

This order approved the interim rates schedule resulting from the increase in revenue granted in Order ST 1-83.

**Order ST 3-83 – July 8, 1983**

At the March public hearings, the Commission heard evidence regarding Sask Tel's Revenue Settlement Plan dealing with the arrangements between Sask

Tel and Telecom Canada. The order authorized Commissioner D. E. Cuddington to attend at the offices of Sask Tel in order to examine the plan and report back to the Commission.

**Order ST 4-83 — September 26, 1983**

This order approved a minor amendment to Sask Tel's application to provide an additional option to General Mobile Radio subscribers at no extra cost. The amendment allows mobile radio subscribers to use person-to-person or station rates for out-of-province calls.

**Order ST 5-83 — September 28, 1983**

This order approved a 5% interim increase in TransCanada message toll rates effective October 1, 1983 and in Canada/USA message toll rates effective October 18, 1983.

**Order ST 6-83 — October 14, 1983**

A public hearing to consider Sask Tel's rate application of February 28, 1983 was held from July 5 to July 8, 1983. Both Phase I and Phase II of the review process were conducted during this time.

Since this was the first time Sask Tel had been subject to rate regulation, much of the cross-examination at the hearing was directed to establishing the principles by which the corporation would be regulated. The Commission rejected Sask Tel's proposal to be regulated by the average capital employed after interest method. Sask Tel was instructed to submit future rate applications based on the asset rate base method. The Commission based its order regarding revenue requirement on this method and stated that:

> "... as a general principle the net plant-in-service (gross plant in service less accumulated depreciation) component of the rate base should consist of only prudently acquired assets that are used and useful to Sask Tel in providing service to its customers."

Accordingly, the Commission excluded Sask Tel's investment in commercial land and construction work in progress from the asset rate base. Sask Tel's investment in Telesat Canada shares was included in the rate base. The Commission accepted Sask Tel's method of determining its depreciation expense and directed an adjustment in the maximum acceptable deviation for accounts having a remaining life in excess of one year.

The Commission determined that a debt equity ratio of 80/20 was an appropriate capital structure for Sask Tel and noted that the corporation's debt ratio was approaching 82%. The debt ratio was calculated by the Commission using mid-year balances. In addition, sinking fund balances were deducted from gross debt outstanding in arriving at the net debt. The embedded cost of debt rate was established at 11.59% calculated by dividing the interest expense, net of sinking fund earnings, by the gross debt, net of sinking funds.

Sask Tel proposed that the following be included as components of return on equity capital:

(i) a "guarantee factor" reflecting the benefit that flows to Sask Tel from the utilization of the province's borrowing powers,

(ii) a "risk factor" to recognize the uncertainty associated with the Provincial government's investment, and

(iii) an "income tax factor" to represent the provincial share of corporate income taxes that would apply in the absence of Crown Corporation status.

The Commission rejected these proposals.

The Commission allowed Sask Tel a return of $72,312,000 plus operating expenses of $254,400,000 for a total 1983 revenue requirement of $326,712,000. Of this amount $308,087,000 was required from tariffs.

The order approved the rates given approval in Order ST 2-83 and ST 5-83 as final rates for the period in which they were in effect on an interim basis. Approval was also given to implement the balance of the February 28, 1983 rate increase application on and after November 1, 1983 representing an overall increase of 19% above the initial rates for residential and business exchange service. The pay telephone rate for local calls increased from 10¢ to 25¢. Service charges were restructured and increased to provide 35% more revenue from this source.

**Order ST 7-83 — October 27, 1983**

This order corrected certain errors and deletions in the rates schedule approved in Order ST 6-83.

**Order ST 8-83 — November 23, 1983**

This order granted approval of Sask Tel's application 83-06 to extend message toll discounts to provide Sunday discount rates to the following Monday in any year where December 25 and January 1 fall on a Sunday.

**Order ST 9-83**

This order dealt with three minor amendment applications numbered 83-07, 83-08, and 83-09.

Application 83-07 sought an increase in overtime custom work rates. The Commission denied the application on the basis that the proposed amendments to the rates were too extensive and would affect too many customers to be considered as a minor amendment.

Application 83-08 sought approval for the extension of toll-free "800" service northbound to Saskatchewan from the United States on January 1, 1984. The proposed service coincided with a similar proposed offering in the USA. The order approved the rate schedule amendments necessary to implement the new service.

Application 83-09 sought an increase in rates for optional listings in the White Pages of telephone directories. The effect of the proposed rate increases on White Pages option listing revenue would have been a 10.6% increase in 1984 and a 16.3% increase in 1985. The Commission considered the application inappropriate as a minor amendment. The application was denied.

**Order ST 10-83 — November 29, 1983**

This order approved Application 83-10 which corrected certain errors in the rates schedule approved in Order ST 6-83.

**Order ST 11-83 — December 21, 1983**

This order approved Application 83-11 which requested the introduction on a two-year trial basis of a maximum rate per minute of 59¢ for customer-dialed long distance calls, placed during the 35% discount period, to the territories of other members of Telecom Canada.

In addition, approval was given to Application 83-12 introducing a "Super Bold" listing in Directory White Pages.

## Saskatchewan Government Insurance

**Order SGI 1-83 — April 18, 1983**

A public hearing to consider SGI's request for an interim order granting a 6.7% increase in basic vehicle premiums effective July 1, 1983 was held on April 5, 1983. The Commission denied the application for an interim order stating that it was "satisfied that SGI could continue to maintain its financial integrity on a sound basis until a final determination" of the application.

**Order SGI 2-83 — June 8, 1983**

On May 15, 1983 the Commission received certain rate application material entitled "Determination of Vehicle Premium Levels: Rating Procedure" on a confidential basis. Subsequently, SGI requested an **in camera** hearing so that the Commission could hear representations from the corporation regarding this material. The order granted this request and established the terms of the **in camera** hearing.

**Order SGI 3-83 — June 9, 1983**

A public hearing to consider SGI's application of March 11, 1983 for an average 6.7% increase in vehicle premiums was held June 6, 7 and 8, 1983. The Commission was concerned with SGI's practice of grouping assets and liabilities of the general insurance business with those associated with the operations and administration of **The Automobile Accident Insurance Act (AAIA)**. The Commission recommended that in future the financial records of SGI be prepared to show by way of separate balance sheets and income statements the financial position and operation of the administration of the **AAIA**.

The Commission indicated that it supports the principle that the **AAIA** should be funded on a user pay basis and should break even over the long term. In addition, the Commission stated as one of its objectives in determining just and reasonable premiums that SGI and consumers should not be burdened with irregular and erratic premium adjustments. The order granted a 3% increase in revenue generated from basic vehicle premiums effective August 1, 1983.

**Order SGI 4-83 — July 8, 1983**

This order authorized Commissioner R. Billinton to attend at the offices of SGI in order to examine SGI's claims forecasting model and risk-based rating system and report his findings to the Commission.

**Order SGI 5-83 — July 5, 1983**

This order gave interim approval effective August 1, 1983 to the premium schedule filed by SGI pursuant to Order SGI 3-83. The Commission withheld final approval pending examination of certain individual premium adjustments which seemed inconsistent with the method outlined by SGI.

**Order SGI 6-83 — July 13, 1983**

This order corrected certain typographical errors in the premium schedule given interim approval in Order SGI 5-83.

**Order SGI 7-83 — August 25, 1983**

This order gave final approval to the premium schedules given interim approval in Order SGI 5-83 as amended by Order SGI 6-83 except for one premium which was rolled back and a refund ordered.

## Saskatchewan Power Corporation

**Order SPC 1-83 — June 9, 1983**

On May 16, 17 and 18, 1983 the Commission held a public hearing to consider an application by SPC for an interim order amending the initial rates schedules filed with the Commission on April 25, 1983.

In response to concerns expressed by the intervenors and the Commission that it would be inappropriate for the Commission to deal with SPC's proposed rate restructuring at an interim hearing, SPC applied to the Commission on May 17, 1983 to amend its interim application. The amended application requested that an interim rate increase of at least 75% of the average requested rate increase for natural gas and electricity be applied to all existing rates except electricity rate classes GS II and GS III. This represented an average rate increase of 17.8% for natural gas and 16.1% for electricity.

In addition, SPC sought authorization to pass through any net changes in the cost of natural gas pursuant to changes in Alberta border prices, federal taxes or Saskatchewan field gate prices between the interim hearing and the making of a final order. During the hearing, SPC requested permission to introduce a temporary Incentive Demand Rate for large industrial electricity users. The Commission ruled that SPC's interim application be amended accordingly.

The Commission heard evidence from SPC which indicated that if the requested interim increase was granted effective June 1, 1983, its forecasted 1983 operating losses would amount to more than $46 million. If existing rates remained in effect SPC forecasted a loss of $98 million in 1983 and forecasted a negative cash flow position by August of 1983, at which point in time the corporation would be required to borrow additional funds in order to finance its day-to-day operations.

The Commission also heard evidence from SPC regarding its short-term financial objectives. The Commission declined to express an opinion on these objectives until further evidence had been heard at the Phase I hearing.

A total of fourteen intervenors appeared before the Commission at the interim hearing generally expressing concern about the impact of the proposed rates on SPC's customers. The Commission concluded that SPC had established a **prima facie** case for interim rate relief. However, the Commission was concerned about the impact that the requested rate increase would have on consumers and stated:

> "It would be grossly unfair to burden the consumer in one or two years with the results of inadequate rates in the immediate past. Accordingly, SPC must now be prepared to suffer some of the consequences of these inadequate rates."

The Commission granted interim rate increases of 15% for electricity (except for classes GS II and GS III) and 13% for natural gas. In addition, the Commission allowed SPC to pass through the increased natural gas costs and to introduce the Temporary Demand Incentive Rate. SPC was instructed to submit the new rates schedules to the Commission for approval.

**Order SPC 2-83 — June 27, 1983**

This order approved the interim rates schedule resulting from the rate increases granted in Order SPC 1-83 and instructed SPC to submit any gas rate increases resulting from the "pass through" costs to the Commission for approval.

**Order SPC 3-83 — August 24, 1983**

A public hearing to consider SPC's Phase I evidence was scheduled for August 23, 1983. Prior to the hearing SPC submitted three amendment requests to the Commission. Further, a question arose prior to the hearing regarding the suitability of certain written questions (interrogatories) submitted to SPC by Interprovincial Steel and Pipe Corporation (IPSCO). Consequently, the Commission heard evidence regarding the three amendment requests and considered a notice of motion filed on behalf of IPSCO requesting the Commission to order SPC to answer the disputed interrogatories.

The first request by SPC proposed an amendment to Order SPC 1-83 to permit the Corporation to pass through any changes in the cost of natural gas pursuant to changes in "transportation charges or tolls of TransCanada Pipelines Limited" in addition to the "pass through" costs permitted in Order SPC 1-83. The Commission approved this request.

The second request proposed an amendment to Rate Code IX-630 contained in Order SPC 2-83 to add "Saskatoon Chemicals (chloralkali plant)" to the applicability section of the said rate code. SPC temporarily withdrew this request.

The third request by SPC proposed that the Commission deem SPC's 1983 revenue requirement to be $685.92 million, the revenue estimated to be derived after applying the interim rates approved in Order SPC 2-83. SPC suggested that the Commission could then proceed directly to a Phase II hearing to consider rate restructuring. A number of intervenors spoke to this application expressing differing views. The Commission decided not to grant this application. It considered that a full Phase I hearing and resulting investigation was necessary before proceeding with Phase II.

After considering the notice of motion filed by IPSCO the Commission ordered SPC to answer certain interrogatories dealing with Phase I by September 19, 1983. In addition, the Commission ordered that for the purpose of the determination of revenue requirement, assets acquired by SPC prior to 1983 were acquired as a result of prudent corporate decisions and that a significant review of such decisions by the Commission and Intervenors at this time would serve no useful purpose. The Commission rescheduled the Phase I hearing to commence October 24, 1983.

**Order SPC 4-83 — August 25, 1983**

At the hearing held August 24, 1983 the Commission approved an application for further amendment to Order No. SPC 1-83 relating to natural gas pass through costs. This amendment added "adjustments arising from natural gas in storage on the effective date of a change in the cost of natural gas". The Commission also approved an amended application to change the applicability of Rate Code IX-630 so that the rate would be available to all industrial and commercial services where electrical demand exceeds 15 000 kVA at voltage levels in excess of 25 kilovolts. This is a special rate offered by SPC in consideration of the customer agreeing to interruptions in service.

**Order SPC 5-83 — August 31, 1983**

This order approved an amendment to the rates schedule for natural gas applying a 0.27 cents per cubic metre decrease in the energy charge effective September 1, 1983. This decrease resulted in a system-wide average rate reduction of 2.1% reducing the system-wide 13% gas rate increase of July 9, 1983 to an average of 10.9%.

**Order SPC 6-83 — December 16, 1983**

The Commission held public hearings to consider SPC's revenue requirement on October 24 to 28 and November 2 to 5, 1983 in Saskatoon. Since this was the first set of hearings to determine a revenue requirement for SPC, the Commission concentrated primarily on matters of principle. The following regulatory principles were addressed in the Order:

a) SPC will be considered as two separate utilities, one gas and one electric, for regulatory purposes.

b) The revenue requirement for each utility will be the allowed cost of service plus a margin for uncertainties that are an inherent part of the operations of any utility.

c) Interest expense will be charged to each utility on the basis of the interest expense as actually incurred.

d) SPC will account for both its Saskatchewan gas production facilities and the Alberta operations of its subsidiary, Many Islands Pipelines (Canada) Ltd., as integral parts of the gas utility for regulatory purposes.

e) The losses resulting from the Saskatchewan Natural Gas Distribution Program (SNGDP) will not be included for regulatory purposes in the revenue requirement of the gas utility.

f) The costs of the Voluntary Early Retirement Program will be amortized over a period of four years.

The Commission based the 1984 SPC revenue requirement ruling on a 1983 test year normalized for weather variations.

SPC's natural gas utility operation was allowed the revenue that would result from currently authorized rates. The allowed gas revenue requirement was $342.4 million for 1984.

The SPC electrical utility will be allowed a revenue requirement of $404.6 million in 1984. This amount included:

a) the revenue from currently authorized electrical rates

b) plus additional revenue from the balance of the electrical rate increase requested by SPC effective June 1, 1984

c) plus an additional $8 million annually.

The Commission approved SPC's late payment charge of 1.5% compounded monthly (19.56% annually). SPC was ordered to treat the late payment charge as a rate, changes to be approved by the Commission.

SPC was also directed to conduct a number of studies for Commission review at future rate increase hearings. The studies are to address subjects such as depreciation, forecasting procedures, accounting practices for costs jointly incurred by the two utilities, and criteria for system reliability and generating capacity planning.

In summary, this order approved no further increase in gas utility revenue and an increase in electric utility revenue of approximately 9.7%. In determining the revenue requirement for each utility, the Commission assumed that the rate changes required to earn the revenue authorized by the order would go into effect on June 1, 1984. Rate changes for various gas and electric customer classes and the effective date of those changes were not addressed in the order. The rates structure was to be examined during the Phase II public hearings which commenced in Regina on March 19, 1984.

**Order SPC 7-83 — December 22, 1983**

This order was made under the provisions of s. 4(4) of the **Act**. The Commission had directed SPC to file with the Commission a special natural gas rate agreement between SPC and Erskine Resources Limited which had been inadvertently omitted from the initial rates schedule.

The rate applied to fuel gas delivered to Erskine in the North Hoosier area of the province. The order added this rate to SPC's natural gas rates schedule.

**Order SPC 1-84 — January 31, 1984**

The Commission approved an application filed by SPC on October 24, 1983 to amend Order SPC 5-83 by adding a separate rate code classification for farm irrigation use of natural gas.

**Order SPC 2-84 — February 21, 1984**

By letter dated February 9, 1984, the City of Saskatoon requested the Commission to order SPC to produce certain information regarding the power consumption of GS V, GS VI and Bulk customers. SPC had indicated that it considered the requested information to be confidential. In order to hear representatives from interested parties the Commission gave public notice of its intention to hold a public hearing. This order designated four Commissioners to sit as a panel of the Commission to consider the City of Saskatoon's request.

**Order SPC 3-84 — February 24, 1984**

This order followed the public hearing ordered in Order SPC 2-84. Eleven intervenors appeared to speak to the application by the City of Saskatoon.

The City of Saskatoon indicated that the information was required to assess its own position in relation to the other customers in the proposed rate classification.

A number of customers included in the new rate classification indicated that they considered the information to be confidential. The expenditures for power represented a major expense for these customers and public disclosure would put them at a competitive disadvantage. There was no objection to the information being given to the Commission on a confidential basis and the Commission so ordered.

The Commission further ordered that the information requested by the City of Saskatoon be provided to intervenors for each aggregate customer class.

**Order SPC 4-84 — March 19, 1984**

Pursuant to Order SPC 1-83, SPC informed the Commission of a net decrease in the cost of natural gas of 0.0143 cents per cubic metre on February 1, 1984. The reduced gas cost would be equivalent to an average rate reduction of slightly more than one-tenth of one percent. SPC requested that the adjustment in price be deferred and incorporated in any change in rates arising from a possible change in the cost of gas August 1, 1984. The Commission so ordered.

# Applications Outstanding

At March 31, 1984 there were seven Sask Tel minor amendment applications and three SGI minor amendment applications outstanding.

In addition, the Commission had not completed consideration of Phase II of the SPC 1983 general rate increase application.

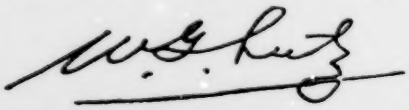
# Auditor's Report

To the Members of the Legislative Assembly

Province of Saskatchewan

I have examined the balance sheet of the Public Utilities Review Commission as at March 31, 1984 and the statement of revenue, expenditure and operating surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1984 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.



W. G. Lutz, F.C.A.,
Provincial Auditor.

Regina, Saskatchewan,
June 1, 1984.

## Balance Sheet
**As at March 31**

**Statement 1**

| | 1984 | 1983 |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash | **$ 50,184** | $ 72,171 |
| Term deposits — at cost | **80,561** | 40,000 |
| Accounts receivable — corporations | **159,645** | 69,297 |
| Prepaid expenses | **1,549** | — |
| | **291,939** | 181,468 |
| Fixed assets | | |
| Office equipment | **25,478** | 1,685 |
| Library | **3,123** | 2,264 |
| | **28,601** | 3,949 |
| | **$320,540** | $185,417 |
| **Liabilities and Equity** | | |
| Current liabilities | | |
| Accounts payable | **$115,755** | $ 54,898 |
| Equity | | |
| Equity in fixed assets | **28,601** | 3,949 |
| Operating surplus (Statement 2) | **176,184** | 126,570 |
| | **$320,540** | $185,417 |

(See accompanying notes to the financial statements)

## Statement of Revenue, Expenditure and Operating Surplus

**For the Year Ended March 31, 1984**

**Statement 2**

| | 1984 |
|---|---|
| **Revenue** | |
| Department of Justice | $279,900 |
| Direct hearing cost recoveries | 518,791 |
| Investment | 4,457 |
| | 803,148 |
| **Expenditure** | |
| Direct hearing cost expenses (Schedule 1) | 518,791 |
| Salaries and fringe benefits | 130,492 |
| Commissioners' expense | 27,120 |
| Purchase of fixed assets — office equipment | 23,793 |
| — library | 859 |
| Conference expenses | 20,011 |
| Miscellaneous | 12,477 |
| Office supplies | 6,321 |
| Telephone | 5,781 |
| Consultants and legal services | 6,117 |
| Travel | 1,772 |
| | 753,534 |
| Excess of revenue over expenditure | 49,614 |
| Operating surplus, beginning of year | 126,570 |
| Operating surplus, end of year | $176,184 |

(See accompanying notes to the financial statements)

# Notes to Financial Statements

**March 31, 1984**

1. **Accounting Policies**

   a) Revenue

   The following are included in revenue for the Commission:

   i) sums required for the purposes of the Commission as appropriated by the Legislature and received from the Department of Justice.

   ii) direct costs incidental to a proceeding.

   b) Fixed assets

   The Commission utilizes fund accounting wherein expenditures for fixed assets appear in the statement of revenue, expenditure and operating surplus. To maintain accountability for fixed assets, it is necessary to record them as a balance sheet asset with a corresponding entry to "Equity in Fixed Assets". Because fixed asset purchases are included in the statement of revenue, expenditure and operating surplus, no provision has been made for depreciation of the fixed assets.

   c) The office of the Commission is located in a government building and accordingly no rent is paid for the use of that space. Neither the value of this benefit nor the costs related to this space are reflected in the financial statements.

   d) As provided by Order-in-Council 1522/82, the remuneration of the Commission chairman includes his remuneration as Associate Chief Judge of the Provincial Court of Saskatchewan funded by the Department of Justice. Therefore, these financial statements do not reflect this portion of the cost of his remuneration.

2. **Incorporation**

   The Commission was established by The Public Utilities Review Commission Act which came into force by Order-in-Council 1483/82, September 31, 1982.

3. **Comparative Figures**

   Financial statements for the prior period were presented for the six months ended March 31, 1983. These financial statements are presented for the year ended March 31, 1984. Accordingly, comparative figures are provided in the balance sheet only.

## Schedule of Direct Hearing Expenses

**For the Year Ended March 31, 1984**

Schedule 1

| | 1984 |
|---|---|
| Consultants | $252,692 |
| Legal counsel | 99,286 |
| Commissioners | 83,651 |
| Court reporting | 35,552 |
| Other | 22,455 |
| Publication | 21,135 |
| Audio Visual | 7,736 |
| **Total direct hearing expenses (Statement 2)** | **$518,791** |